The Department of POLITICS and INTERNATIONAL RELATIONS

the Global Economic Governance programme

Averting a Crisis in Global Health: 3 Actions for the G20

The G20 should take three actions to ensure that the global financial crisis does not overwhelm fragile health systems (Panel 1):

(1) Continue bilateral support for critical global health priorities and health systems.
(2) Support better value-for-money healthcare by emphasising disease prevention in crisis-stricken countries.
(3) Support and expand the roles of international institutions in health to serve as a stabilising force during this crisis.

A relatively small amount of financing for essential services and minor policy adjustments in international institutions could prevent a developing country health crisis. These policy adjustments would serve to strengthen the regulatory framework to protect health, just as the G20 is working to strengthen regulations that protect financial stability and promote recovery.

Financial crisis threatens health budgets in poor countries **(Panel 1)**

National health budgets are threatened by falling foreign direct investment in emerging markets, which is predicted to decrease by 82%(1). International health financing will be constrained by reduced remittances, reduced aid and reduced multilateral funding. Overall, a global decline of remittances of between 1% and 6% is expected in 2009, though some countries will see decreases of upwards of 20% (2). The total value of aid will decrease, due to reduced commitments and currency devaluations. The 23 countries dependent on aid for more than 30% of their health sector flows are especially threatened(3).

At the same time, public health needs will rise fast as social insurance (provided through employment) drops, private insurance drops, migration reverses and prices, such as those of imported medicines increase.

1. Continue and expand foreign aid to the health sector

Many G20 nations are planning a massive fiscal stimulus. Developing countries have no capacity to plan such a fiscal stimulus. With their economies vulnerable and without capacity to raise the capital necessary to protect health and social services, aid is now more important than ever to protect access to health care for the world's poorest people. The G20 must act to protect financial flows to health in developing countries, and avoid cutting aid budgets or halting their promised increases.

The need for maintained foreign aid is especially obvious and compelling for those persons on treatment for HIV/AIDS in developing countries. Their treatment is heavily supported by donors, and makes up over half of the United States' health sector aid. If treatment stops, people on treatment will die. Decreased support for treatment will also curtail prevention efforts as treatment reduces transmission of HIV and the availability of

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treatment provides incentive for testing. The WHO warns that as the epidemic shows some signs of flattening in hard-hit regions, now is not the time to reduce the efforts to control HIV(3).

Investing in the health sector of developing countries should not be limited to HIV. Womens health is likely to be especially threatened when health funding is limited. Maintaining access to health care can, as demonstrated in previous financial crisis, facilitate economic recovery. In Central and Eastern Europe, economic downturn and unemployment appears to have contributed to increased mortality, often due to a rise in non-communicable diseases(4). These diseases, like heart disease and diabetes, can be prevented at low cost, saving the national economy from the burden of their long-term consequences.

Foreign aid to the health sector should be expanded based on previous commitments. Funding should be predictable, flexible and aligned to national priorities, in accordance with Paris Declaration on Aid Effectiveness (2005) and Accra Agenda for Action (2008)(5). This health sector investment comes at the time when it is most needed and most promising. It sends a strong signal of solidarity to the poor in the world that the massive sums being used to save the economies of rich countries will not result in a furthering of their poverty and a deterioration of their health.

2. More health for less money: strengthen prevention and health systems to maximise return on investments

This financial crisis can allow for healthcare reforms that maximise efficiency and the impact of health sector spending. One set of proposals for maximising health sector efficiency that has been suggested encourages targeting of health interventions. Here, the priority is to identify key services, target populations and means for matching services to individuals(6). However appealing and intuitive, evidence suggests that this approach would neither advance efficiency nor equity. The World Bank reports that fine targeting of interventions can have perverse effects, sometimes by undermining political support for initiatives, and because of weak healthcare coverage of the poor(7). Furthermore, the Thai experience in the East Asian financial crisis (Panel 2) suggests that efficiency is improved by making healthcare more accessible to all persons. Investing in healthcare access for all allows for preventative measures and long-term treatment to minimise complications of disease, both of which increase efficiency and equity.

Get global regulation right to deliver more health for less money

Access to preventative measures is especially important in maximising returns on investments in health. Many preventative measures require a strong health system for their delivery, including efforts to protect maternal and child health, and efforts to diagnose disease early. Investments made in human capital to facilitate expansion of the preventative care system will have positive effects that last beyond the financial crisis. The G20's financial and regulatory support for preventative care can support this critical need, while saving lives and money. Furthermore, health promotion to avoid non-communicable disease will complement efforts to promote climate stabilisation and sustainable development - , as all are improved by reducing unplanned unhealthy urbanisation and promoting the consumption of fruits, vegetables and cereals.

Caring for those requiring long-term treatment minimises costly disruptions in the treatment of HIV/AIDS, TB or chronic diseases. Delivery of HIV treatment depends not only on donor funds for medicines, but on infrastructure and funding for service delivery. Similarly, persons with chronic diseases – like diabetes – in poor countries could have costly complications if their care is interrupted by disruptions in healthcare access. The G8 has already made the strengthening of health systems an international policy priority, and the G20 can lend further support to these initiatives(8).

More health for less money: the case of Thailand **(Panel 2)**

Financial crises can have dire effects such as in Peru in the late 1980s where a sharp rise in infant mortality occurred during the crisis(7). By contrast, Thailand not only maintained public spending on health but improved efficiency and access to healthcare during and after the crisis of 1997.

The crisis exposed bad policies: During Thailand's economic boom 1988-1996 the budget of the Ministry of Public Health increased four-fold but to little effect: a minimal (2% in the civil service scheme) increase in coverage and no discernable increase in quality. The Thai health ministry now attributes this to the use of expensive imported drugs and technologies, and to misuse of funds in building health infrastructure.

The financial crisis created new strains: The financial crisis of 1997 hit hard with household health expenditure falling 24%(9), and many turning to self-medication. Although spending and budgets for immunizations and malaria were maintained or increased, there were increases in diphtheria and pertussis (both vaccine-preventable) as well as malaria – likely due to decreased program effectiveness(9). During the crisis, with rising numbers of poor, the government substantially increased coverage in publicly subsidized schemes, especially to cover maternal and child health(9, 10). These gains were maintained and expanded with the initiation of a universal coverage scheme in 2001(10) while health reforms sought to reduce the costs of providing care.

Collective bargaining for drugs resulted in massive savings: Thailand instituted collective bargaining for drugs, resulting in a savings of between 16.7% and 30% annually(9). The Thai government also instituted a policy of health promotion, focusing on preventing disease through the control of behavioral risk factors. Many of these reforms, born in crisis, continue to provide the benefits of improved access and lower costs today. Thailand succeeded by challenging the pharmaceutical industry. G20 leaders must allow developing countries to expand their sources of drugs so that essential medicines can be accessible.

3. Support international institutions in health and push them to their limits

National governments, in developed and developing countries, are being pushed to their limits. International institutions have been focusing on the production of knowledge and analysis in this crisis, but have not yet been substantively expanded and modified their activities. Now is the time to support and extend international institutions to maximise the protection of health, using the same reform principles guiding economic policy.

The *World Health Organization* (WHO) can, as the organization has already stated, monitor the health impacts of the crisis and facilitate communication among international institutions and country governments. In addition, WHO technical expertise should be applied to help countries spend resources most effectively by targeting upstream disease prevention. The WHO has already indicated plans to lead in monitoring and information-sharing on the financial crisis. Monitoring information can be delivered to other international institutions, national governments, and local governments. The G20 should provide funding and information to the WHO in these critical monitoring and technical support roles. Critically, G20 leaders can complement the WHO by communicating the impacts of the financial crisis on health, and the commitments to protect and improve health.

International institutions can do much more to protect health in this crisis

The *World Bank* can play expanded roles in supporting national health systems and interventions. The G20 declared in November support for the World Bank's efforts in development and especially in infrastructure and trade finance(11). The World Bank's AAA bond rating enables it to raise capital and provide countercyclical lending during crisis. Precisely when financial flows to the health sector are falling is when potential for the World Bank's lending capacity will be greatest. As a lender, the World Bank is well placed to provide the financing that can strengthen health and social protection. As an aid donor, the World Bank can support poor countries with grants that will protect health and facilitate economic development and recovery. As a policy advisor, the World Bank plays a critical role in synergising health and the economic strategies; the Bank's ability to provide national assessments needs strengthening during this crisis. The G20 should ensure that the World Bank is positioned to do this.

The *International Monetary Fund* (IMF) can avoid setting macroeconomic targets that contract public sector spending on health. In its analysis, the IMF needs to go much further in taking account of the short and medium term economic benefits of investing in health.

The *Global Fund* can use its large grant-making apparatus to aggressively support national health systems and interventions in developing countries. The Global Fund's disbursements lag substantially behind commitments made by its donors. The urgency of this crisis demands that this lag be reduced, so that funding can be given when it is most needed. This will require G20 donors to deliver their committed funds to the Global Fund promptly. Next, delivering the necessary financing will require the Global Fund to expand work in building health systems – either through the creation of a special 'Financial Crisis Health Fund' (which it is uniquely well-placed to manage) or by augmenting the work of the institution to include health systems and access to healthcare. Finally, as recommended by a recent WHO report, the application process for Global Fund and GAVI alliance funding should be streamlined(3).

The *World Trade Organization* (WTO) can facilitate creation of an international regulatory environment that ensures access to medicines, minimises barriers to trade that could have a deleterious health impacts in developing countries, and regulates trade of tobacco, alcohol and highly processed low nutritional value foods. First, G20 leaders should ask the WTO to help developing countries pursue generic substitution of key drugs during this crisis. The Thai example demonstrates the great potential of this substitution strategy. WTO regulations can be amended or bypassed using the clause that allows for violation of patents during national emergency. Second, G20 leaders should demand that their WTO representatives ask the WTO to monitor for potential health consequences of non-tariff trade barriers. Third, the G20 should mandate the WTO to monitor investment in industries hazardous to health, and mandate annual formal reporting and assessment for their impact on population health and the environment. Thus far, monitoring has been led by civil society. With dramatically falling foreign direct investment in many developing countries, investments in industries hazardous to health need to be regulated internationally to prevent them from exploiting national governments in need of investment.

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